

MINUTES

North Dakota Public Employees Retirement System

**Thursday, May 18, 2006
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.**

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Rosey Sand
Ms. Arvy Smith

Member Absent: Ms. Sandi Tabor

Via Video Conference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Diane Heck, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Kevin Schoenborn, BCBS
Ms. Jodee Buhr, NDPEA
Mr. Bill Kalanek, AFPE
Mr. Tom Tupa, APT
Ms. Patricia Hill, ND Pharmacists Association
Mr. David Peske, ND Medical Association
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBS
Mr. Brad Bartle, BCBS
Mr. Michael Potts, BCBS
Mr. Tom Christensen, BCBS
Dr. Jon R, Rice, BCBS
Ms. Jodi Carlisle, BCBS
Ms. Shamayne Gerlach, BCBS
Ms. Cheryl Wigginton, BCBS

Chairman Jon Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the April 20, 2006 Board meeting.

THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE APRIL 20, 2006 BOARD MEETING MINUTES. MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

Segal Renewal

Mr. Collins indicated that two years ago we contracted with Segal for actuarial valuation and consulting services for retirement, deferred compensation, retiree health credit, and flexible compensation. Segal has submitted, in their May 16, 2006 letter to PERS, the proposed fee increases for a two year period, July 1, 2006 through June 30, 2008. The increase is approximately 13% per year overall. Segal was the lowest at the general bid, so even if we rejected this proposal and went to bid they are not out of line with what the market was at the last bid. Mr. Collins indicated Segal has been very responsive and excellent to work with. It is staff recommendation that we renew with Segal for the two year period.

MR. LEINGANG MOVED TO RENEW THE SEGAL CONTRACT FOR TWO YEARS (JULY 1, 2006 THROUGH JUNE 30, 2008). THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

Mid Dakota Clinic Renewal

Ms. Allen stated our contract with Mid Dakota Clinic for disability consulting services expires on June 30, 2006. The current contract rate of \$150 per hour has been in effect since July 1, 2004. Mid Dakota wishes to continue to perform these services for PERS at a rate of \$160 per hour for the period July 1, 2006 through June 30, 2007. The amount paid to date since July 1, 2005 for their services is \$4,312.50. Staff has been satisfied with the services provided; they have been responsive and timely.

MS. SAND MOVED TO RENEW THE CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE TWO YEAR PERIOD. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

GROUP INSURANCE

Dental-Long Term Care RFP

Mr. Collins indicated that the final draft of the Dental and Long Term Care RFP will be released on Monday, May 22, pending Board approval. A public notice will be included in the newspapers. If the board approves the RFP, it will be posted to the website and letters will go out on Monday. Mr. Bill Robinson from Gallagher Benefit Services stated they have been working diligently with PERS staff to put this RFP together. There are 7 sections to the RFP; Section I is the procurement document which is the contractual language approved by the state of North Dakota; Section II is the description of the plans and questionnaires and cost exhibits; Section III is the administrative requirements that PERS has for voluntary plans. There is also a section of dental data request and dental claims data as well as a section on long term care questions. Mr. Collins indicated there are two ways in which this dental plan could be bid: fully insured or self-funded and one way for the long term care which is fully insured.

MR. LEINGANG MOVED TO APPROVE THE RFP FOR DENTAL AND LONG TERM CARE INSURANCE. THE MOTION WAS SECONDED BY MS. SAND.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Ms. Tabor

PASSED

Coordination of Benefits

Mr. Brooks from BCBS stated that at the April Board meeting there were questions raised regarding how many employees used the COB banking benefit as represented in the 2005 figures. The total dollars banked of \$5,416,286 represents 3,315 members and the total dollars used of \$160,654 represents 2,158 members. The percentage of members banking dollars represents 3.92%, whereas those members with banked dollars using the banked dollars is 65.1%. There were only 4 members who used greater than \$1,000 banked dollars. About 70% of the members used less than \$100. As noted, total banked dollars used would be the savings to the group if the banking process is discontinued. Mr. Collins indicated BCBS is discontinuing banking on all lines of their business and they

desire the Board's concurrence for the PERS plan. Mr. Brooks indicated that a decision should be made at least by August. A benefit to the PERS plan would be a savings of \$160,000 a year, which results in 55 cents per contract per month. If PERS would decide to keep this benefit, there may be additional administrative fees to maintain the banking provision.

Board action was delayed until either the June or July Board meeting. More information was requested regarding what service(s) could be provided to members for 55 cents per contract per month, recognizing the fact that next biennium costs will be significantly higher and any service we give members today might not be cost effective for the next biennium. The Board requested that if COB banking was eliminated the members should be informed of the fact in a newsletter. This will also assist employees in planning for their flexcomp dollars for the next calendar year. Mr. Brooks indicated that BCBS would issue a Summary of Material Modifications regarding this benefit change. Prior to the next Board meeting, staff will get a list of areas where we differ with the other BCBS plans and what the cost of the change of bringing us up to standard plan design would be for those, will determine if there are additional administrative costs that might come up relating to maintaining this in the next biennium, and include a summary in the newsletter advising members that BCBS is discontinuing this benefit for the members and it has been brought before the Board.

Prenatal Plus Program Prenatal Vitamins

Mr. Brooks reported, based on a request at the previous Board meeting, a total of 1,194 scripts at a cost of \$11,205 were erroneously paid during the biennium.

BCBSND Updates

Mr. Brooks indicated that Mr. Collins had requested BCBS come before the Board and share with the Board information prior to the renewal process. Mr. Kevin Schoenborn covered the current claims situation incurred through December 31, 2005 relating to active members. The data shows a 14% increase. High dollar claims over \$50,000 went from just under \$18 million in 2004 to \$23.4 million in 2005; average costs went from \$92,000 in 2004 to \$103,000 in 2005. Mr. Wigginton, BCBS Medical Management, presented information relating to calendar year 2003, 2004 and 2005 medical management services for both non retirees and retirees. There were 419 referrals of non-retirees to case management and that involved 367 members. Estimated savings was \$254,000. There were 53 referrals of retirees to case management that involved 38 members; no cost savings for this group for 2005. Mr. Collins indicated there are new services being provided to members where there have been no changes in the plan design. Mr. Carlisle presented information relating to the sleep study analysis and gastric bypass surgery analysis. For the period 1999 to 2005 NDPERS represented approximately 16% of the total gastric bypass surgeries performed. The total charges consumed by NDPERS over the past seven years was \$5,887,466 for the 260 members. Total expenditures for NDPERS members with a diagnosis of sleep apnea and associated costs excluding surgeries in 2005 was \$1,527,187 (average of \$1,993 per member). Dr. Rice indicated for all North Dakota members, there is an increase in sleep

studies by about 21%. Mr. Christensen gave an overview of drug program trends. The most significant trend at present is the migration of members greater than 65 years of age into Medicare Part D. The prescription drug program in general saw a 3% decrease in claims per member per month. Looking forward the greatest impact will be created with generic utilization which is increasing. Mr. Potts addressed issues relating to the providers across North Dakota. As BCBS focus's on its relationship with providers, and partners with providers, they focus on access, cost, and quality of care. It is important to maintain a balance between all of those in order to best serve members. There is excellent access for PERS members. There are over 3,800 professionals under contract with BCBS and 1,450 physicians. The EPO enrollment has increased to 21,000 members. Mr. Potts indicated they do not know what the provider rate increase will be in 2007; a final recommendation will be presented to their Board of Directors in September. Mr. Brad Bartle, actuary, presented a review of the 2005-2007 biennium rating. Currently there is a paid claims trend of about 10%, while allowed charges are at about 9%. In 2005, claims trends peaked in July at about 16% for paid claims and about 14% for allowed charges. Mr. Collins indicated that in June or July there will be presentations relating to the Health Dialog and Clinical Pharmacy Update. There is a schedule included in the Board materials regarding how we will be proceeding with the renewal.

Gallagher Benefit Services Renewal

Mr. Robinson stated GBS is proposing to provide continuation of the technical and legislative consulting services to PERS for a two year period. This would also include the medical plan renewal project not to exceed fee of \$7,965. The time charges will increase by 5% for the period July 1, 2006 through June 30, 2007 as summarized in their May 9, 2006 correspondence.

MS. SAND MOVED TO APPROVE GALLAGHER BENEFIT SERVICES RENEWAL FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

Prudential Life Insurance Policy Rider

Ms. Masset-Martz reported that PERS received notice from Prudential there is a rider that will need the Board Chairman's signature. This rider provides for continued coverage for an incapacitated child. This coverage was included with the previous provider and is being included in the Prudential policy as of July 1, 2005.

MR. SAGE MOVED TO APPROVE THE PRUDENTIAL LIFE INSURANCE RIDER. THE MOTION WAS SECONDED BY MS. SAND.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

Employer Based Wellness Program

Mr. Collins stated that staff was seeking Board direction relating to the new employer-based wellness program. PERS is in the process of moving into the second year and those agencies and employers that have decided to participate in the second year have submitted their programming plans. There are 49 employers that did not renew. The question staff is seeking advice on is when the new year begins in July, if one of those employers decides they want to participate, do we let them come in during the year or do we only allow employers to start in the program on an annual basis? Staff recommendation is to have an annual enrollment.

MS. SAND MOVED TO APPROVE ANNUAL ELECTIONS TO PARTICIPATE IN THE EMPLOYER BASED WELLNESS PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.

Ayes: Leingang, Sand, Smith, Ehrhardt, and Strinden.

Nays: Sage

Absent: Tabor

PASSED

DEFERRED COMP

Fidelity Review

Mr. Collins reported that in 2004 Fidelity was awarded the contract for the 457 plan and defined contribution plan for 6 years subject to two year reviews. In anticipation of this review, we began discussions with Fidelity regarding reducing the administration fee for the 457 plan which is at \$39 per year. In the 401(a) plan the administrative fee is \$8. The reason for this differential is because of the size of the account balances. Fidelity has agreed to drop this administrative fee from \$39 to \$30 a month for the 457 plan, if PERS implements a de minimus cash out of terminated plan participants who have a balance below \$1,000 and pursues an automatic enrollment process, pending legislative approval.

Mr. Collins further stated that we have indicated to Fidelity, that while the reduction in the administrative fee is positive, it is still a goal to see that 457 plan administrative fee continue to decrease.

MS. SMITH MOVED TO EXTEND THE FIDELITY CONTRACT FOR THE 457 AND DEFINED CONTRIBUTION PLAN FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

MONTHLY TOPICS

Critical Success Factors

Mr. Collins indicated that included in the board book is the draft critical success factors (CSF) for the IT project. The CSF's are what makes the project a success and are tied to the organizations' vision (PERS' drivers). They are also the measures that PERS would use at the end of a project to measure its success. Mr. Collins asked that the board review the factors and share with him any additions or deletions.

IT Project Update

Mr. Collins provided an update to the Board relating to the Business System Replacement Project, specifically how we can accommodate the additional workload associated with this project. The assessment included information regarding PERS available resources, ability to reduce workload and overview of which work efforts can be reduced or deferred.

Proposed Legislation

Mr. Collins reported that included in the board book is the other legislation submitted relating to PERS. The Legislative Employee Benefits Committee met on May 17 and assumed jurisdiction over all of the bills. The bills will be referred back to the respective actuaries (Segal or Gallagher Benefit Services).

PERS Budget

Mr. Collins asked the Board, for budgeting purposes, how many Board education sessions should be budgeted for the next biennium (2007-2009). In the past three or four per year was budgeted for (seven for the biennium, approximately \$11,200). The Board suggested budgeting at one per board member per year.

SIB Agenda

Agenda was distributed to the Board for information.

Deferred Compensation Hardships

Financial Hardship #2006-001DC

Mr. Allen brought a financial hardship #2006-001DC before the Board for an amount of \$2,000 to cover expenses incurred as a result of personal loans used to cover expenses due to the spouse's disability. Expenses cited include travel to and from medical appointments and for medical treatment.

MR. SAGE MOVED TO APPROVE HARDSHIP REQUEST #2006-001DC. MS. SAND SECONDED THE MOTION.

Further Board discussion related to the lack of documentation to support the travel expenses and the need for this documentation prior to any Board action.

Ayes: Sage, and Strinden

Nays: Leingang, Sand, Smith, Ehrhardt

Absent: Tabor

FAILED

MS. SAND MOVED TO REQUEST ADDITIONAL DOCUMENTATION RELATING TO INCURRED TRAVEL EXPENSES FOR HARDSHIP REQUEST #2006-001DC AND TO BRING THIS INFORMATION BEFORE THE BOARD. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden

Nays: None

Absent: Tabor

PASSED

Financial Hardship #2006-002DC

Ms. Allen brought a financial hardship #2006-002DC before the Board for an amount of \$12,206.26 to cover expenses incurred as a result of the spouse's disability. The hardship is the result of expenses related to treatment that was not covered by insurance and expenses that arose as a result of a lawsuit regarding the spouse's medical condition that contributed to the current disability. Expenses cited include those incurred for the lawsuit and an outstanding balance owed to a credit union.

MR. SAGE MOVED TO DENY THE HARDSHIP REQUEST #2006-002DC. THE MOTION WAS SECONDED BY MS. SAND.

Ayes: Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

Nays: None

Absent: Tabor

PASSED

Executive Director's Annual Performance Review

Chairman Strinden stated that the annual review of the executive director will need to be conducted. Mr. Leingang and Ms. Ehrhardt volunteered to assist Chairman Strinden with this review. There was a discussion regarding hiring the Hay Group to assist with the review of the salary for the Executive Director. The State Investment Board will be conducting a review of the RIO Director's salary. Mr. Collins indicated that NASRA has done a similar study of all PERS directors for all states.

MR. SAGE MOVED TO LOOK INTO POSSIBLY HIRING THE HAY GROUP TO PERFORM A SALARY STUDY FOR THE EXECUTIVE DIRECTOR POSITION IF THE STUDY COSTS LESS THAN \$5,000. THE MOTION WAS SECONDED BY MR. LEINGANG.

Ayes: Leingang, Sage, and Strinden.

Nays: Smith and Ehrhardt

Absent: Sand and Tabor

PASSED

The meeting adjourned at 11:05 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board